
BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

2/11/09



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BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS
LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

The Board of Commissioners of the
Port of New Orleans:

We have audited the accompanying statements of net assets of the Board of Commissioners of the Port of New Orleans (the Port) as of June 30, 2008 and 2007 and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Port. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 15, 2008 on our consideration of the Port's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The Management's Discussion and Analysis on pages 3 through 10 and the Schedule of Funding Progress on page 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Postlethwaite & Metterville

Metairie, Louisiana
December 15, 2008



MANAGEMENT'S DISCUSSION AND ANALYSIS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2008

This section of the Port's annual financial report presents a discussion and analysis of the Board's financial performance for the Fiscal Year ended June 30, 2008. Please read it in conjunction with the Board's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Board's financial highlights for Fiscal Year 2008 are reflective of the downturn in the United States and the world economy while on the positive side, an insurance settlement increased net assets. The Board's net assets increased \$45.9 million resulting primarily from gains in non-operating revenues/expenses, including Hurricane Katrina insurance proceeds, and capital contributions offset by an operating loss after depreciation. In comparison, Fiscal Year 2007 had a \$12.1 million increase in net assets on the basis of Hurricane Katrina insurance proceeds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting and federal programs.

The Board's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Board are included in the Statement of Net Assets.

The financial statements provide both long and short-term information about the Board's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Net Assets

The Board's total assets at June 30, 2008, reached \$684.3 million. This represents an increase of \$65.0 million or 10.5 percent from the prior year. Total liabilities reached \$158.0 million for an increase of \$19.2 million or 13.8 percent and total net assets are \$526.2 million for an increase of \$45.9 million or 9.5 percent (See Table 1).

The item, "invested in capital assets, net of related debt," consists of capital assets net of accumulated depreciation and reduced by the amount of outstanding indebtedness (offset by the debt related to unspent bond proceeds) attributable to the acquisition, construction, or improvement of those assets.

Table 1 (in thousands of dollars) Net Assets				
	<u>2008</u>	<u>2007</u>	<u>Percentage</u> <u>Change</u>	<u>2006</u>
Current assets	\$ 128,907	\$ 59,112	118.1%	\$ 41,327
Restricted assets	31,821	29,618	7.4%	36,597
Property (net)	520,559	527,910	-1.4%	526,055
Other assets	2,965	2,586	14.7%	2,503
Total assets	<u>\$ 684,252</u>	<u>\$ 619,226</u>	10.5%	<u>\$ 606,482</u>
Current liabilities	\$ 23,291	\$ 12,392	88.0%	\$ 18,010
Non-current liabilities	134,750	126,481	6.5%	120,233
Total liabilities	<u>158,041</u>	<u>138,873</u>	13.8%	<u>138,243</u>
Net assets:				
Invested in capital assets, net of related debt	413,150	418,634	-1.3%	422,876
Restricted	27,763	25,677	8.1%	24,347
Unrestricted	85,298	36,042	136.7%	21,016
Total net assets	<u>526,211</u>	<u>480,353</u>	9.5%	<u>468,239</u>
Total liabilities and net assets	<u>\$ 684,252</u>	<u>\$ 619,226</u>	10.5%	<u>\$ 606,482</u>

Property decreased as additional capital improvements during 2008 were not significant enough to offset normal depreciation. The increase in non-current liabilities is primarily due to \$13.6 million of revenue bonds issued during 2008 and additional liability incurred as the State paid the Board's debt service in the last year of the GO Zone supplemental assistance program.

Changes in Net Assets

The change in net assets at June 30, 2008 when compared to June 30, 2007, was an increase of \$33.7 million or 278.6 percent. The Board's total operating revenues increased \$0.5 million or 1.2 percent as lower revenue in terminal operations and real estate in 2008 was offset by increased collections of business interruption insurance. Total operating expenses increased \$5.3 million or 11.0 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

In relationship to 2006, current assets in Fiscal Year 2007 increased significantly as a result of insurance proceeds received during the year. The restricted assets decreased due to additional payout of the 2005 Revenue Bond issue for construction of the Erato Street Cruise Terminal and Parking Complex. Property increased as expenditures were made for the Erato Complex. The decrease in current liabilities resulted mainly from a decrease in construction related payables for the Erato Street Cruise Terminal and Parking Complex and improvements to the Elaine Street Wharf. The increase in non-current liabilities was primarily due to additional community disaster loan draws of \$1.9 million made in 2007 and \$6.6 million of debt service assistance program loan draw downs offset by \$1.7 million of principal payments made on the revenue bonds.

Restricted funds totaling \$19.7 million result from an agreement entered into by the Board with the U.S. Army Corps of Engineers (USACOE) for the redevelopment of an existing lock connecting the Mississippi River to the Inner-Harbor Navigation Canal. The Board agreed to fund a portion of the construction project as it relates to providing deep-draft access. The USACOE made payments to the Board for acquiring certain Board property needed to expand the existing lock. Such funds are to be held in an escrow account by the Board until such time as they are needed to pay for the deep-draft portion of the construction project.

Table 2 Changes in Net Assets (in thousands of dollars)				
	2008	2007	Percentage Change	2006
Operating Revenues:				
Terminal operations	\$ 28,406	\$ 29,068	-2.3%	\$ 25,760
Cruise and tourism	4,749	4,716	0.7%	5,626
Real estate	3,372	3,679	-8.3%	3,015
Business interruption insurance	4,714	3,273	-100.0%	4,478
Total operating revenues	<u>41,241</u>	<u>40,736</u>	1.2%	<u>38,879</u>
Operating Expenses:				
Operating expenses	35,390	30,591	15.7%	28,670
Depreciation	17,807	17,341	2.7%	16,503
Total operating expenses	<u>53,197</u>	<u>47,932</u>	11.0%	<u>45,173</u>
Operating loss	(11,956)	(7,196)	-66.1%	(6,294)
Non-operating revenues/(expenses), net				
Investment income	2,574	2,285	12.6%	1,084
Interest expense	(5,731)	(5,218)	9.8%	(3,287)
Federal non-capital grants	303	651	-53.5%	1,252
Hurricane gain (loss)	55,945	18,140	208.4%	(2,961)
Gain (loss) on sale of assets	4,009	(126)	3281.7%	3
Demolition and other miscellaneous net	(2,137)	(694)	207.9%	(182)
Capital revenue from state and federal programs	2,852	4,271	-33.2%	12,191
Change in net assets	<u>45,859</u>	<u>12,113</u>	278.6%	<u>1,806</u>
Total net assets, beginning of the year	480,352	468,239	2.6%	466,433
Total net assets, end of year	<u>\$ 526,211</u>	<u>\$ 480,352</u>	9.5%	<u>\$ 468,239</u>

Operating revenues increased \$0.5 million or 1.2 percent. This increase is mainly due to additional business interruption insurance revenue offset by lower cargo volumes in 2008. In comparison, Fiscal Year 2007 had operating revenues increase \$1.9 million or 4.8 percent over 2006. The increase was mainly from higher tonnage volumes after a storm-depressed 2006. The increases in the terminal operations revenue was partially offset by lower cruise related revenue. Also, business interruption receipts were lower in 2007 than in 2006.

Investment income has increased despite rates falling during the year. The lower rates were offset by increased balances in restricted and unrestricted investments and cash equivalents. The same comparison for 2007 versus 2006 resulted in significant increase due to a combination of higher rates and more investment funds on hand from insurance proceeds in 2007.

Interest expense increased in Fiscal Year 2008 over 2007, the former represented the first full year of interest expense on two separate bond issues totaling \$53.4 million. In 2007 only three quarters were recognized. In 2006 the full year of interest on the same debt issues was capitalized resulting in significantly less interest expense than in 2007.

The hurricane gain account increased significantly by approximately \$37.8 million in Fiscal 2008 versus 2007. This increase is the result of additional receipts from the excess carrier in 2008 as well as final settlement from the excess carrier recognized in 2008. The Fiscal Year 2007 was significantly higher than 2006 due to a smaller amount of insurance receipts recognized in 2006.

In Fiscal Year 2008 the Board sold industrial property resulting in a gain of \$4.0 million. There was a slight loss on sale of assets in 2007 and slight gain in 2006.

Demolition expense increased in Fiscal Year 2008 as six separate Board facilities were demolished. Three were damaged by fire and three others were no longer in use and were scheduled for removal during Fiscal Year 2008.

Table 3 Operating Expenses (in thousands of dollars)				
	2008	2007	Percentage Change	2006
Labor and fringe benefits	\$ 20,662	\$ 17,988	14.9%	\$ 18,959
Fuel and utilities	2,480	2,099	18.2%	1,609
Supplies	341	358	-4.7%	342
Maintenance agreements	410	364	12.6%	382
Purchased services	103	114	-9.6%	131
Rent - real estate and equipment	416	399	4.3%	469
Contract labor services	1,028	907	13.3%	1,043
Travel, promotion and advertising	870	1,009	-13.8%	792
Electronic data service subscription	122	147	-17.0%	134
Training	48	29	65.5%	22
Professional fees	1,055	1,127	-6.4%	907
Maintenance	2,348	2,187	7.4%	1,603
Insurance	6,334	4,964	27.6%	3,037
Workers' compensation	566	469	20.7%	686
Security fee reimbursement	(260)	(624)	-58.3%	(437)
Other	360	175	105.7%	355
Depreciation	17,807	17,341	2.7%	16,503
Less capitalized labor	(1,493)	(1,121)	33.2%	(1,364)
Total operating expenses	\$ <u>53,197</u>	\$ <u>47,932</u>	11.0%	\$ <u>45,173</u>

Total operating expenses increased \$5.3 million or 11.0 percent. The increase was mainly due to the following specific areas - labor and fringe benefits, fuel and utilities, property insurance, workers' compensation, maintenance agreements, training, contract labor services, security fee reimbursement, other and capitalized labor.

Labor and fringe benefits increased 14.9 percent to \$20.7 million as a result of a number of causes. Payroll increased \$1.9 million with normal merit increases and promotions adding \$382,000 in Fiscal Year 2008. Overtime increases added another \$365,000, as the Port Development Division increased labor related to maintenance projects; Port Operations incurred greater overtime as a result of fewer filled positions in Harbor Police; and Katrina related overtime charged to a work order was corrected in 2008. Special departmental salary upgrades were approved by Civil Service for the Harbor Police, Fire Boat and Crane departments for an increase of \$455,000. Vacant positions in 2007 that were filled in 2008 accounted for an additional \$224,000.

Fringe benefits added another \$811,000 from increases of \$676,000 required for the State LASERS and the Harbor Police Employee Retirement systems, and increasing healthcare costs of \$160,000.

Labor and fringe benefits decreased in Fiscal Year 2007 as compared to 2006, due mainly to attrition after the storm. Forty-six Board employees either retired, resigned, or were terminated post Katrina. The elimination of some positions and the hiring lag in those to be filled resulted in lower payroll expense.

Fuel and utilities increased as compared to Fiscal Year 2007 by \$381,000 resulting mainly from an increase in fuel - \$191,000; electricity - \$101,000; and water usage, \$103,000 for the Board-owned property. These increases were mainly due to rising rates.

Board property insurance increased significantly in Fiscal Year 2008 to \$6.3 million. The \$1.4 million increase was due to continued rising rates in the insurance industry in the wake of losses from hurricanes Katrina and Rita. This increase followed an even greater increase of \$1.9 million for Fiscal Year 2007 over 2006 for the same reason.

Workers' compensation and claims expense increased by \$97,000 as reserves were raised in an asbestosis claim and reserves set for a new personal injury claim against the Board. In Fiscal Year 2007 claims expense decreased from the previous year by \$217,000 due to a favorable outcome in a different asbestosis claim.

Maintenance agreement expense increased \$46,000 in Fiscal Year 2008 when compared to 2007. The increase was mainly due to higher charges for the Board's general ledger and human resource software. There was no significant difference when comparing 2007 to 2006.

Training increased by \$19,000 in Fiscal Year 2008, as employees availed themselves of more opportunities for Board supported education.

Contract labor expense increased by \$121,000 in Fiscal Year 2008. The increase was in a number of areas. Increases in the expense for private guards for use in the facility access stations, additional janitorial assistance in the cruise terminals and an increase in bridge damage assessment all contributed to the higher expense. Fiscal Year 2007 decreased \$136,000 from the prior year mainly due to lower janitorial expense for the administration and a reduction of use of private guards portwide.

Security fee reimbursements were lower in Fiscal Year 2008 by \$364,000 due to fewer ship calls and less tonnage volume (both the underlying basis for billing security fees) when compared to Fiscal Year 2007. The Fiscal Year 2007 was higher than 2006 by \$177,000 due to increased activity in 2007 and a full year of charges collected verses only three quarters in 2006.

Other expense increased in Fiscal Year 2008 by \$185,000. This was mainly due to a correction of a journal entry improperly coded in a prior year and corrected in 2008. Other expense decreased in 2007 by \$179,000 from 2006 mainly due to additional bad debt expense accrued.

Capitalized labor increased in 2008 by \$372,000 as the pace of reconstruction accelerated. Fiscal Year 2007 was lower than 2006 by \$243,000 as a result of higher capitalized labor allocated to the Erato Cruise Terminal construction in 2006.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2008, the Board had invested \$520.6 million in capital assets net of accumulated depreciation. As compared to the prior year, this amount represents a decrease (including additions and disposals) of \$7.4 million. Property decreased as additional capital improvements during 2008 were not significant enough to offset normal depreciation.

Additional information on the Port's capital assets can be found in note 4 on pages 22-24.

Debt Administration

The Board has made its regularly scheduled payments on its Port Facility Revenue Bonds, Series 2001, Series 2002, Series 2003 and Series 2005. During Fiscal Year 2008, payments of \$7.5 million in principal and interest were made by the State of Louisiana. The Board participated in the debt service assistance loan program through the State, which funded these payments. This program ended with year end 2008, and the Board will continue payments in Fiscal Year 2009. Further, the Board restructured portions of the Series 2001, 2002 and 2003 issues with a Series 2008 Port Facility Revenue Bond issue. The \$13.6 million bond issue has a maturity of thirty years and is fixed rate debt.

Under the terms of its capital leases for the container cranes and for computer equipment, the Board made lease payments of approximately \$1.0 million including principal and interest.

All bond debt and lease covenants have been met.

Additional information on the Port's debt administration can be found in note 5 on pages 24-29.

ECONOMIC FACTORS

The continuing national economic slowdown made for a tough Fiscal Year 2008. The Board has experienced a relative decline in cargo volumes and revenues. Factors affecting the Port of New Orleans' business, as well as the port industry nationally, are generally beyond the Board's control. These factors include the decline of the dollar, rising commodity and energy costs, resulting in the decline in business growth, as well as new construction. The major impact has been on the Port's steel business, which typically tracks national economic trends - steel imports handled at the Port declined by approximately 50 percent from Fiscal Year 2007 to 2008. However, the drop in the Port's commodity-based breakbulk business has been offset somewhat by significant growth in container business. After a significant growth in container tonnage of 43% from Fiscal Year 2006 to 2007, the Port experienced a more modest, but continuing increase of 3% in Fiscal Year 2008. This growth in container volumes can be largely attributed to the strong partnerships the Board has forged with its container carriers and terminal operators and, thus far, the availability of terminal capacity to accommodate growth.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Board at (504) 528-3346.

FINANCIAL STATEMENTS

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 34,345,466	\$ 30,693,706
Investments	600,000	100,000
Accounts receivable, less allowance for doubtful accounts of \$886,681 and \$976,368 at June 30, 2008 and 2007, respectively	5,292,875	5,875,711
Insurance receivable	77,053,836	13,660,531
Due from other governments	4,866,869	6,476,814
Stores inventory	2,342,806	2,089,994
Prepaid items	4,404,841	215,243
Total current assets	<u>128,906,693</u>	<u>59,111,999</u>
<u>NON-CURRENT ASSETS</u>		
Restricted cash, cash equivalents, and investments:		
Unexpended equipment and construction funds	4,058,652	3,941,242
Revenue bond covenant accounts	8,035,909	7,024,245
Deep draft lock escrow	19,727,127	18,652,457
Total restricted assets	<u>31,821,688</u>	<u>29,617,944</u>
Property - net	<u>520,558,714</u>	<u>527,909,527</u>
Other assets	2,965,341	2,586,079
Total non-current assets	<u>555,345,743</u>	<u>560,113,550</u>
 TOTAL ASSETS	 <u>684,252,436</u>	 <u>619,225,549</u>

LIABILITIES

<u>CURRENT LIABILITIES</u>		
Accounts payable	16,179,632	4,275,596
Bonds payable - current	320,000	2,355,000
Accrued interest payable	1,472,362	1,330,663
Capital leases payable - current	390,581	347,352
Unearned income	2,174,002	1,181,382
Other liabilities	2,754,498	2,902,335
Total current liabilities	<u>23,291,075</u>	<u>12,392,328</u>

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF NET ASSETS - CONTINUED
JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>LIABILITIES (continued)</u>		
<u>NON-CURRENT LIABILITIES</u>		
Revenue bonds payable	105,391,188	104,565,615
Community disaster loan payable	7,549,106	7,549,106
Debt service assistance program loan payable	14,365,679	6,863,744
Capital leases payable	5,365,760	5,949,016
Net pension obligation	725,442	370,823
Compensated absences payable	1,353,164	1,182,634
Total non-current liabilities	<u>134,750,339</u>	<u>126,480,938</u>
 TOTAL LIABILITIES	 <u>158,041,414</u>	 <u>138,873,266</u>
<u>NET ASSETS</u>		
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	413,149,837	418,633,786
Restricted for revenue bond debt service	8,035,909	7,024,245
Restricted for deep draft lock	19,727,127	18,652,457
Unrestricted	<u>85,298,149</u>	<u>36,041,795</u>
 TOTAL NET ASSETS	 <u>\$ 526,211,022</u>	 <u>\$ 480,352,283</u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>OPERATING REVENUES</u>		
Terminal operations:		
Dockage	\$ 6,833,749	\$ 8,968,011
Rentals	16,512,962	14,946,112
Harbor fees	1,117,900	1,096,880
Container cranes	2,967,194	2,724,948
Other	974,630	1,331,946
	<u>28,406,435</u>	<u>29,067,897</u>
 Cruise and tourism	 4,748,659	 4,716,480
Real estate rentals	3,371,495	3,678,681
Business interruption insurance revenue	4,713,968	3,273,067
Total operating revenues	<u>41,240,557</u>	<u>40,736,125</u>
 <u>OPERATING EXPENSES</u>		
Operations services:		
Port development	10,664,990	9,432,171
Port operations	11,974,004	9,896,516
Cruise and tourism	2,038,753	1,282,310
Marketing	1,876,796	1,831,192
Total operations services	<u>26,554,543</u>	<u>22,442,189</u>
Management services:		
Finance and information services	1,969,947	1,861,959
Administration Services	2,074,730	1,926,651
Legal and risk	1,146,610	1,133,057
Business development	907,188	847,605
Total management services	<u>6,098,475</u>	<u>5,769,272</u>

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - CONTINUED
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Other operating:		
Executive	2,171,422	1,910,899
Workers' compensation	565,932	468,881
Total other operating	<u>2,737,354</u>	<u>2,379,780</u>
Depreciation	<u>17,806,670</u>	<u>17,340,696</u>
Total operating expenses	<u>53,197,042</u>	<u>47,931,937</u>
<u>OPERATING LOSS</u>	<u>(11,956,485)</u>	<u>(7,195,812)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Investment income	2,573,829	2,285,061
Interest expense	(5,731,423)	(5,217,954)
Federal noncapital grants	303,144	650,895
Hurricane gain	55,945,181	18,139,708
Gain (loss) on disposal of assets	4,009,264	(126,323)
Demolition costs	(1,580,256)	(251,830)
Miscellaneous - net	(556,097)	(441,260)
Total non-operating revenues (expenses)	<u>54,963,642</u>	<u>15,038,297</u>
<u>INCOME BEFORE CONTRIBUTIONS</u>	43,007,157	7,842,485
<u>CAPITAL CONTRIBUTIONS</u>	<u>2,851,582</u>	<u>4,270,733</u>
<u>CHANGE IN NET ASSETS</u>	45,858,739	12,113,218
<u>NET ASSETS, BEGINNING OF YEAR</u>	<u>480,352,283</u>	<u>468,239,065</u>
<u>NET ASSETS, END OF YEAR</u>	<u>\$ 526,211,022</u>	<u>\$ 480,352,283</u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Receipts from customers and users	\$ 36,516,011	\$ 39,045,135
Receipts from business interruption insurance	-	3,273,067
Payments to suppliers	(18,647,061)	(12,043,795)
Payments to employees	(14,739,282)	(13,458,683)
Payments of benefits on behalf of employees	(5,224,634)	(4,681,540)
Net cash provided by (used in) operating activities	<u>(2,094,966)</u>	<u>12,134,184</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>		
Proceeds from Special Community Disaster Loan	-	1,921,876
Proceeds from debt service assistance program loan	7,501,935	6,642,694
Noncapital contributions from other governments	303,144	566,088
Hurricane costs	(4,879,805)	(5,593,185)
Net cash provided by noncapital financing activities	<u>2,925,274</u>	<u>3,537,473</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>		
Expenditures for acquisition and construction of capital assets	(11,543,861)	(24,481,692)
Proceeds from sales of capital assets	4,875,000	-
Capital contributions from other governments	4,461,527	4,780,086
Proceeds from refinancing of bonds	12,359,217	-
Payment on defeasance of bonds	(11,225,000)	-
Repayments of principal borrowed to finance acquisition and construction of capital assets	(3,010,238)	(2,325,664)
Interest paid on amounts to finance acquisition and construction of capital assets	(5,440,507)	(5,396,365)
Demolition costs and other	(2,742,216)	(860,899)
Receipts from property insurance	15,218,375	23,301,511
Net cash provided by (used in) capital and related financing activities	<u>2,952,297</u>	<u>(4,983,023)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of investments	(11,154,795)	(6,806,080)
Proceeds from sales and maturities of investments	9,511,331	6,350,000
Investment income received	2,441,920	2,356,924
Net cash provided by investing activities	<u>798,456</u>	<u>1,900,844</u>

(Continued)

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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STATEMENTS OF CASH FLOWS - CONTINUED
YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	4,581,061	12,589,478
<u>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</u>	41,953,218	29,363,740
<u>CASH AND CASH EQUIVALENTS, END OF YEAR</u>	<u>\$ 46,534,279</u>	<u>\$ 41,953,218</u>
<u>RECONCILIATION OF LOSS FROM OPERATIONS TO</u>		
<u>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</u>		
Operating loss	\$ (11,956,485)	\$ (7,195,812)
Adjustments to reconcile loss from operations to net cash provided by (used in) operating activities:		
Depreciation	17,806,670	17,340,696
Bad debt expense	-	67,209
Changes in assets and liabilities relating to operating activities:		
Accounts and insurance receivable	(5,688,046)	1,466,468
Stores inventories	(252,812)	73,983
Prepaid items	(4,189,598)	787,125
Other assets	51,378	(93,336)
Accounts payable	763,995	1,179,012
Unearned income	992,620	48,455
Other liabilities	(147,837)	(1,461,334)
Net pension obligation	354,619	44,728
Compensated absences payable	170,530	(123,010)
Net cash provided by (used in) operating activities	<u>\$ (2,094,966)</u>	<u>\$ 12,134,184</u>
<u>RECONCILIATION TO STATEMENT OF NET ASSETS:</u>		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	\$ 34,345,466	\$ 30,693,706
Restricted assets:		
Money market mutual funds	12,188,813	11,259,512
Total cash and cash equivalents	<u>\$ 46,534,279</u>	<u>\$ 41,953,218</u>

The accompanying notes are an integral part of these statements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Board of Commissioners of the Port of New Orleans (the Port) is an independent political subdivision of the State of Louisiana, which is authorized by Louisiana Revised Statutes 34:1-47. The Port is governed by a Board of Commissioners (the Board) consisting of seven members appointed by the Governor. The Board has all the powers and privileges granted to it by the constitution and statutes of the State of Louisiana including, but not limited to, the authority to incur debt, to issue bonds, to construct and maintain wharves and landings, and to charge fees for the use of the wharves and other facilities administered by the Port.

The Port prepares its financial statements in accordance with standards issued by the Governmental Accounting Standards Board (GASB).

The Port is reported as a stand-alone entity as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The Port is neither fiscally dependent on any other local government nor does it provide specific financial benefits to or impose specific financial burdens on any other government. No other potential component units meet the criteria for inclusion in the financial statements of the Port.

Measurement Focus, Basis Accounting and Financial Statement Presentation

The accounting policies of the Port conform to accounting principles generally accepted in the United States of America as applicable to governments. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses, excluding depreciation and amortization, are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Port's accounts are organized into a single proprietary fund. The Port's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from leasing properties or providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Measurement Focus, Basis Accounting and Financial Statement Presentation (continued)

Under the provisions of GASB Statement 20, *Accounting and Financial Reporting for Proprietary Fund Accounting*, the Port applies all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 in accounting for its operations unless those pronouncements conflict or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments of the Port, substantially all of which have original maturities of two years or less, are recorded at fair value. Fair value is based on quoted market prices.

Stores Inventory

The inventory of the Port consists of expendable materials, supplies and fuel and are valued at the lower of average cost or market.

Restricted Assets

Under an agreement with the Corps of Engineers (Corps) the proceeds of land sales to the Corps in 2002 and 2003 have been put into an escrow fund to be used to pay the Port's share of a deep draft lock on the Inner Harbor Navigation Canal. Gains on the sales of land of approximately \$10,100,000 and \$5,600,000 were recognized for the years ended June 30, 2003 and 2002 respectively. Interest income related to these restricted assets was \$1,074,670 and \$792,695 for the years ended June 30, 2008 and 2007, respectively.

Certain proceeds of the Port's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets because they are maintained in separate investment accounts and their use is limited by applicable bond requirements.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Property and Depreciation

The Port capitalizes assets that have an individual cost of \$500 or more and an estimated useful life in excess of one year. Property constructed or acquired by purchase is stated at cost. Donated property is stated at the estimated fair value on the date received.

Depreciation of property and amortization of capital lease assets is computed using the straight-line method over the following estimated useful lives:

Wharves and sheds	30 – 50 years
Roadways and drainage	20 years
Marshalling areas	15 years
Buildings	15 – 40 years
Machinery and equipment	3 – 40 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital asset and improvements are capitalized as projects are constructed. The Port's policy is to capitalize construction period interest, if any. For fixed assets purchased with externally restricted debt, capitalized interest is the difference between interest expense and interest earnings on invested proceeds of the debt. The capitalization period begins with the date of borrowing and ends when the asset is put into service.

Debt and Amortization

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are included in other non-current assets.

Unearned Income

Operating revenues include rental income derived from leasing Port-owned properties. Amounts due from certain lease agreements are billed in advance and recognition of the related revenue is deferred and recognized over the appropriate lease term.

Compensated Absences

Employees accumulate vacation and sick leave at varying rates according to years of service. Upon termination, unused vacation not to exceed 300 hours is paid to the employee at the employee's current rate of pay. At retirement, unused vacation in excess of 300 hours and unused sick leave is considered in computing the years of service for retirement benefit purposes.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Statement of Cash Flows

For purposes of the statement of cash flows, cash and cash equivalents consist of demand deposits with banks, overnight repurchase agreements, and money market mutual funds.

2. CASH AND INVESTMENTS

The Port's investments and cash consist primarily of investments in direct obligations of the United States Treasury or agencies thereof and deposits with financial institutions.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the Port's name. At June 30, 2008 and 2007, the carrying amount of the Port's deposits (demand deposits and time certificates of deposit) was \$34,945,466 and \$30,793,706 and the related bank balances were \$35,415,901 and \$31,131,179, respectively. Of the bank balances, \$212,683 and \$211,084 were covered by federal depository insurance and \$35,203,218 and \$30,864,150 were covered by collateral held by the pledging banks' trust department or agent in the Port's name at June 30, 2008 and 2007, respectively. Amounts at one bank in which deposits were in excess of federal depository insurance and collateral held in the Port's name by its agent amounted to \$55,954 as of June 30, 2007.

Investments

The Port may invest idle funds as authorized by Louisiana Statutes, as follows:

- (a) *United States bonds, treasury notes, certificates, or any other federally insured investment.*
- (b) *Time certificates of deposit of state banks organized under the laws of Louisiana and national banks having their principal office in the State of Louisiana.*
- (c) *Mutual or trust funds, which are registered with the Securities and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940 and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.*

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. CASH AND INVESTMENTS (continued)

Cash and investments were included in the balance sheet as of June 30 as follows:

	2008	2007
Cash and cash equivalents	\$ 34,345,466	\$ 30,693,706
Investments – current assets	600,000	100,000
Restricted assets	31,821,688	29,617,944
	<u>\$ 66,767,154</u>	<u>\$ 60,411,650</u>

Included in cash and investments at June 30, were the following:

Securities Type	2008	2007
Investments in securities of U.S. Treasury obligations	\$ 19,632,875	\$ 18,358,432
Money market mutual funds	12,188,813	11,259,512
Deposits:		
Certificates of deposit	600,000	100,000
Demand deposits with banks	34,345,466	30,693,706
Total cash and investments	<u>\$ 66,767,154</u>	<u>\$ 60,411,650</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In general, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Port has a formal investment policy that limits investment maturities to three years as a means of managing its exposure to fair value losses arising from increasing interest rates. In addition, approximately 50% of the Port's portfolio shall be one year or less for liquidity reasons and interest rate volatility risk.

As of June 30, 2008, the Port had the following investments and maturities.

	Fair Value	Remaining Maturity (in Years)	
		Less Than One	1-2
U.S. Treasury Notes	<u>\$ 19,632,875</u>	<u>\$ 11,904,006</u>	<u>\$ 7,728,869</u>

Credit Risk

State law limits investments in securities issued, or backed by United States Treasury obligations, and U.S. Government instrumentalities, which are federally sponsored. The Port's investment policy does not further limit its investment choices.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. DUE FROM OTHER GOVERNMENTS

Due from other governments consists of 1) state funds from the Louisiana Department of Transportation and Development for facility planning and control projects, flood control projects and port priority projects and 2) federal funds receivable from the Federal Emergency Management Agency (FEMA). At June 30, 2008 and 2007, amounts due are as follows:

	<u>2008</u>	<u>2007</u>
Louisiana Department of Transportation and Development	\$ 4,673,226	\$ 5,505,276
Federal Emergency Management Agency (FEMA)	193,643	971,538
	<u>\$ 4,866,869</u>	<u>\$ 6,476,814</u>

4. PROPERTY, NET

A summary of changes in property is as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2008</u>
Property not being depreciated:				
Land and improvements	\$ 74,286,468	\$ -	\$ (188,011)	\$ 74,098,457
Construction in progress	22,451,750	12,215,084	(17,921,812)	16,745,022
Total property not being depreciated	<u>96,738,218</u>	<u>12,215,084</u>	<u>(18,109,823)</u>	<u>90,843,479</u>
Property being depreciated:				
Property (wharves, buildings, etc.)	680,652,009	15,079,061	(1,178,056)	694,553,014
Furniture and fixtures	7,748,575	233,785	(44,653)	7,937,707
Equipment	11,193,869	1,770,295	(205,708)	12,758,456
Total property being depreciated	<u>699,594,453</u>	<u>17,083,141</u>	<u>(1,428,417)</u>	<u>715,249,177</u>
Less accumulated depreciation:				
Property	(253,997,583)	(17,054,194)	446,797	(270,604,980)
Furniture and fixtures	(8,296,988)	(411,877)	205,708	(8,503,157)
Equipment	(6,128,573)	(340,599)	43,367	(6,425,805)
Total accumulated depreciation	<u>(268,423,144)</u>	<u>(17,806,670)</u>	<u>695,872</u>	<u>(285,533,942)</u>
Total property being depreciated, net	<u>431,171,309</u>	<u>(723,529)</u>	<u>(732,545)</u>	<u>429,715,235</u>
Property, net	<u>\$ 527,909,527</u>	<u>\$ 11,491,555</u>	<u>\$ (18,842,368)</u>	<u>\$ 520,558,714</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

	July 1, 2006	Additions	Deletions	June 30, 2007
Property not being depreciated:				
Land and improvements	\$ 74,286,468	\$ -	\$ -	\$ 74,286,468
Construction in progress	79,224,711	20,462,285	(77,235,246)	22,451,750
Total property not being depreciated	153,511,179	20,462,285	(77,235,246)	96,738,218
Property being depreciated:				
Property (wharves, buildings, etc.)	605,408,216	75,323,370	(79,577)	680,652,009
Furniture and fixtures	7,449,461	332,412	(33,298)	7,748,575
Equipment	10,883,329	356,764	(46,224)	11,193,869
Total property being depreciated	623,741,006	76,012,546	(159,099)	699,594,453
Less accumulated depreciation:				
Property	(237,548,202)	(16,512,651)	63,270	(253,997,583)
Furniture and fixtures	(7,881,919)	(437,297)	22,228	(8,296,988)
Equipment	(5,766,774)	(390,748)	28,949	(6,128,573)
Total accumulated depreciation	(251,196,895)	(17,340,696)	114,447	(268,423,144)
Total property being depreciated, net	372,544,111	58,671,850	(44,652)	431,171,309
Property, net	\$ 526,055,290	\$ 79,134,135	\$ (77,279,898)	\$ 527,909,527

Construction in progress consists of the following at June 30, 2008 and 2007:

	2008	2007
Hurricane Katrina Damages	\$ 7,826,768	\$ 7,316,361
Wharf, Shed & Yard Rehabs	1,912,012	9,048,171
Alabo Street Terminal Improvements	1,333,850	27,298
Fencing	1,120,272	1,047,528
Security	718,198	861,404
Drainage	354,636	711,905
Elaine Street Wharf	-	949,966
Other	3,479,286	2,489,117
	\$ 16,745,022	\$ 22,451,750

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY, NET (continued)

Total interest incurred by the Port was \$5,731,423 and \$5,711,271 for the years ended June 30, 2008 and 2007, respectively. Interest earnings on invested proceeds of the debt were \$322,254 and \$667,120 respectively. The differences between interest incurred on debt for capital assets and interest earnings on invested proceeds of the debt totaled \$5,409,169 and \$5,044,151 for the years ended June 30, 2008 and 2007, respectively. Of these amounts, \$481,498 for the year ended June 30, 2007, were included as part of the cost of capital assets under construction in progress for the Erato Street Cruise Terminal. No amounts were included as part of the cost of capital assets under construction in progress for the year ended June 30, 2008.

5. NON-CURRENT LIABILITIES

Long-Term Debt

Long-term debt consists of the following at June 30, 2008 and 2007:

	2008	2007
Bonds payable	\$ 107,435,000	\$ 107,375,000
Premium and discounts	(879,234)	(454,385)
Deferred refunding loss	(844,578)	-
	105,711,188	106,920,615
Less current portion	(320,000)	(2,355,000)
	<u>\$ 105,391,188</u>	<u>\$ 104,565,615</u>

On June 1, 2001, the Port issued \$30,800,000 Port Facility Revenue Bonds, Series 2001. The bonds mature in the year 2021. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2001 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 4.25 percent to 5.625 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On August 1, 2002, the Port issued \$31,000,000 Port Facility Revenue Bonds, Series 2002. The bonds mature in the year 2032. Proceeds from such bonds were expended for the acquisition; construction and completion of certain dock and wharf improvements for the development of the Napoleon Avenue Container Terminal. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2002 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 4.50 percent. All bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

On July 15, 2003, the Port issued \$34,000,000 of Port Facility Revenue Bonds, Series 2003. The bonds mature in the year 2033. Proceeds from such bonds are to be used to finance certain capital improvements to the Port Complex, including but not limited to, the acquisition and construction of parking and cruise terminal facilities, and to reimburse the Board for certain capital expenditures previously made. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2003 Bonds are secured by a Financial Guaranty Insurance Policy. Interest on the bonds is payable semi-annually on April 1 and October 1. Interest rates vary from 3.00 percent to 5.00 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture. The redemption price of some of the bonds includes a premium of 1 percent.

On April 21, 2005, the Port issued \$19,355,000 of Port Facility Revenue Bonds, Series 2005. The bonds mature in the year 2034. Proceeds from such bonds are to be used to finance capital improvements to the Port Complex, including but not limited to, a cruise terminal complex on the Erato Street wharf, related parking and operational facilities, and other port facilities within its jurisdiction. Interest on the bonds is payable quarterly on March 1, June 1, September 1, and December 1. The interest rate varies with the Bond Market Association (BMA) index. The rate as of June 30, 2008 was 3.80 percent. The bonds are supported through a letter of credit agreement. The 2005 Series Revenue Bonds are subordinate to the 2008, 2003, 2002 and 2001 Series Revenue Bonds.

On May 29, 2008, the Port issued \$13,640,000 of Port Facility Refunding Revenue Bonds, Series 2008. The bonds mature in the year 2038. Proceeds were used to refund \$8,110,000, \$1,340,000 and \$1,775,000 of the Revenue Bonds Series 2001, 2002 and 2003, respectively. The bonds are limited obligations of the Port and are payable solely from and secured by a pledge of the net revenues derived by the Port from the entire port and harbor system and certain funds and accounts created under the bond indenture. In addition, the Series 2008 Bonds are secured by a financial guaranty insurance policy. Interest on the bonds is payable semi-annually on April 1 and October 1. The interest rate is fixed at 5.125 percent. Certain of the bonds may be redeemed prior to their maturities in accordance with provisions of the bond indenture at par. The net proceeds from this issue were deposited in an irrevocable trust with an escrow agent to provide debt service payments on the refunded portions of Revenue Bonds Series 2001, 2002 and 2003 thru April 1, 2014. The advance refunding met the requirements of an in-substance defeasance and the refunded bonds were removed from the Port's financial statements. The reacquisition price exceeded the net carrying amount on the bonds refunded resulting in a loss on refunding of \$844,578, which will be amortized over the life of the new issue using the effective interest method. This advance refunding was undertaken to reduce total debt service payments over the next 6 years by \$9,166,309 and resulted in an economic loss of \$1,257,288. For the year ended June 30, 2008, remaining principal on this defeased debt was \$11,225,000.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Long-Term Debt (continued)

Operating revenues are pledged as security for all revenue bond issues.

Debt service requirements relating to bonds outstanding are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 320,000	4,619,121	4,939,121
2010	330,000	4,749,798	5,079,798
2011	340,000	4,744,387	5,084,387
2012	350,000	4,738,810	5,088,810
2013	365,000	4,733,071	5,098,071
2014-2018	13,555,000	31,072,154	44,627,154
2019-2023	18,590,000	25,773,266	44,363,266
2024-2028	23,490,000	14,244,541	37,734,541
2029-2033	32,110,000	8,311,734	40,421,734
2034-2038	17,985,000	1,578,972	19,563,972
	<u>\$ 107,435,000</u>	<u>\$ 104,565,854</u>	<u>\$ 212,000,854</u>

Special Community Disaster Loan Payable

The Port was approved for and made draw downs of \$5,627,230 in April and May 2006 and \$1,921,876 in September 2006 under the Community Disaster Loan Act (the Loan Act). Proceeds from the borrowings were used to pay current operations of the Port relating to essential services, including police and fire protection, trash collection, and other services related to protecting and promoting the health, safety and public welfare of the community. The loan shall bear interest at the latest five-year Treasury rate at the time of the closing date of the loan, plus one percent. Interest rates and maturity dates for the draw downs are as follows:

<u>Principal</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
\$ 5,627,230	2.81%	March 2, 2011
1,517,651	3.00%	July 23, 2011
404,225	2.93%	August 27, 2011
<u>\$ 7,549,106</u>		

Operating revenues are pledged as security for the loan.

Debt service requirements relating to the loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 5,627,230	\$ 762,168	\$ 6,389,398
2012	1,921,876	278,257	2,200,133
	<u>\$ 7,549,106</u>	<u>\$ 1,040,425</u>	<u>\$ 8,589,531</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Debt Service Assistance Program Loan Payable

In July 2006, the Port and the State of Louisiana (the State) entered into a Cooperative Endeavor Agreement whereby the State agreed to lend up \$14,365,679 from State funds on deposit in the Debt Service Assistance Fund, authorized by the Gulf Opportunity Zone Act of 2005 and Act 41 of the First Extraordinary Session of the Louisiana Legislature of 2006, to assist in payment of debt service requirements from 2006 through 2008 due to disruption of revenue streams caused by Hurricanes Katrina and Rita. Loan payments were made on behalf of the Port by the State as debt service became due. No principal or interest shall be payable during the initial five year period of the loan. After the expiration of the initial five year period, the loan shall bear interest at a fixed rate of 4.64 percent. Principal payments on the bonds begin in July 2012 and the loan will mature in July 2026. Interest is payable semi-annually on January 15 and July 15 beginning January 2012. The loan may be prepaid without penalty or premium. The Port has the right to request one extension of its obligation to begin payments under the loan not to exceed five years. As of June 30, 2008, the Port has drawn down \$14,365,679 on this agreement.

Debt service requirements relating to the bond are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 333,284	\$ 333,284
2013	683,982	650,699	1,334,681
2014-2018	3,926,455	2,735,197	6,661,652
2019-2023	4,925,942	1,712,522	6,638,464
2024-2027	4,829,300	460,856	5,290,156
	<u>\$ 14,365,679</u>	<u>\$ 5,892,558</u>	<u>\$ 20,258,237</u>

Capital Lease

Capital lease obligations consist of the following at June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Capital leases payable	\$ 5,756,341	\$ 6,296,368
Less current portion	(390,581)	(347,352)
Long term portion	<u>\$ 5,365,760</u>	<u>\$ 5,949,016</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Capital Lease (continued)

Lease payments relating to capital leases outstanding are as follows:

<u>Years Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 390,581	\$ 164,461	\$ 555,042
2010	688,773	296,154	984,927
2011	692,960	258,261	951,221
2012	709,117	219,033	928,150
2013	750,478	177,672	928,150
2014 – 2016	2,524,432	260,018	2,784,450
	<u>\$ 5,756,341</u>	<u>\$ 1,375,599</u>	<u>\$ 7,131,940</u>

On November 17, 2000, the Port entered into a capital lease agreement to purchase two new container cranes at an aggregate cost of \$12,500,000 at 5.75 percent interest. The cranes were placed in service during the year ended June 30, 2004. At June 30, 2008 and 2007, the gross capitalized cost including capitalized interest was \$11,331,578 with accumulated amortization of \$1,333,420 and \$1,047,498, respectively. There are thirty equal semi-annual payments of \$628,454 for principal and interest with the first payment due July 1, 2001. The remaining proceeds of the capital lease were applied to the outstanding principal balance of the capital lease during October, 2004. This reduced the remaining semi-annual payments to \$464,075 for principal and interest with the first payment due January 1, 2005.

During the year ended June 30, 2004, the Port entered into a capital lease agreement for an IBM mainframe computer at an aggregate cost of \$95,590 at 6.68 percent interest. The monthly lease payments were \$2,942 for a thirty six month period ended November 1, 2006.

During the year ended June 30, 2005, the Port entered into a capital lease agreement for computer equipment at an aggregate cost of \$125,137 at 2.8 percent interest. The monthly lease payments were \$3,618 for a thirty-six month period ended December 1, 2007.

During the year ended June 30, 2006, the Port entered into a capital lease agreement for computer equipment at an aggregate cost of \$58,898 at 6.4 percent interest. The monthly lease payments are \$1,628 for a thirty-three month period ending November 30, 2008.

During the year ended June 30, 2007, the Port entered into capital lease agreements for computer equipment at an aggregate cost of \$119,177 at interest rates ranging from 4.9 percent to 5.8 percent. The monthly lease payments are \$1,309 and \$2,275 for thirty-six month periods ending July 1, 2009 and January 1, 2010.

During the year ended June 30, 2008, the Port entered into capital lease agreements for computer equipment at an aggregate cost of \$115,216 at interest rates ranging from 1.46 percent to 4.39 percent. The monthly lease payments are \$3,297 for thirty-six month period ending January 1, 2011.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

5. NON-CURRENT LIABILITIES (continued)

Changes in Non-Current Liabilities

Non-current liabilities activity for the years ended June 30, 2008 and 2007 are as follows:

	<u>July 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2008</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 107,375,000	\$ 13,640,000	\$(13,580,000)	\$ 107,435,000	\$ 320,000
Bond premium and discounts	(454,385)	(436,207)	11,358	(879,234)	-
Refunding loss	-	(844,578)	-	(844,578)	-
Total bonds payable	106,920,615	12,359,215	(13,568,642)	105,711,188	320,000
Community disaster loan payable	7,549,106	-	-	7,549,106	-
Debt service assistance program loan payable	6,863,744	7,501,935	-	14,365,679	-
Capital leases payable	6,296,368	115,216	(655,243)	5,756,341	390,581
Net pension obligation	370,823	354,619	-	725,442	-
Compensated absences	1,287,880	237,574	(67,290)	1,458,164	105,000
	<u>\$ 129,288,536</u>	<u>\$ 20,568,559</u>	<u>\$(14,291,175)</u>	<u>\$ 135,565,920</u>	<u>\$ 815,581</u>
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2007</u>	<u>Due Within One Year</u>
Bonds payable:					
Revenue bonds	\$ 109,050,000	\$ -	\$ (1,675,000)	\$ 107,375,000	\$ 2,355,000
Bond premium and discounts	(474,970)	-	20,585	(454,385)	-
Total bonds payable	108,575,030	-	(1,654,415)	106,920,615	2,355,000
Community disaster loan payable	5,627,230	1,921,876	-	7,549,106	-
Debt service assistance program loan payable	-	6,863,744	-	6,863,744	-
Capital leases payable	6,853,684	93,348	(650,664)	6,296,368	347,352
Net pension obligation	326,095	44,728	-	370,823	-
Compensated absences	1,280,644	135,971	(128,735)	1,287,880	105,246
	<u>\$ 122,662,683</u>	<u>\$ 9,059,667</u>	<u>\$ (2,433,814)</u>	<u>\$ 129,288,536</u>	<u>\$ 2,807,598</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Port carries commercial liability and property insurance. The Port is self-insured for workers' compensation and general maritime claims ("Jones Act"). The Port continues to be liable for each such claim up to \$1,000,000, with judgments and settlements over the \$1,000,000 limit being covered by the Port's umbrella liability policy up to \$50,000,000 for each occurrence. For the years ended June 30, 2008 and 2007, the Port's expenses for workers' compensation and other liability claims were \$565,938 and \$468,881, respectively. There were no expenses related to police professional liability incurred during 2008 and 2007. For each of the past three years, there were no settlements that exceeded the Port's insurance coverage.

As of June 30, 2008, the Port has determined, through an analysis of historical experience, the adequacy of the liability recorded to cover all losses and claims, both incurred and reported and incurred but not reported, under its self-insurance programs. These amounts are not discounted.

A summary of activity in the liability for claims is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 1,590,357	\$ 1,298,500	\$ 785,606
Provision for claims	565,938	317,933	518,111
Benefit payments, net of recoveries	<u>(138,795)</u>	<u>(26,076)</u>	<u>(5,217)</u>
Balance, end of year	<u>\$ 2,017,500</u>	<u>\$ 1,590,357</u>	<u>\$ 1,298,500</u>

The Port is a party to various legal proceedings incidental to its business. There are several lawsuits pending in which the Board is named as a defendant by longshoremen claiming asbestosis-related injuries because the Board at one time had asbestos materials cross its wharves. Certain other claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Port. The resolution of these matters is not expected to have a material adverse effect on the financial statements of the Port.

The Port is also a party to various legal proceedings related to Hurricane Katrina. These lawsuits are currently in the early stages and the outcome cannot be estimated at this time, though preliminary assessments of the lawsuits indicate little likelihood of success against the Port.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT, CONTINGENCIES AND COMMITMENTS (continued)

In connection with the lease purchase of cranes for the Napoleon Avenue Container Terminal certain monies were advanced by the lessor and deposited into escrow for the purchase of the cranes from a third party. At June 30, 2004, there was \$3,386,994 in escrow. In 2005, the escrowed funds were returned to the lessor and the lease was renegotiated. The final purchase price of the cranes is in dispute. The contract to design, build, construct, transport, deliver, install and test the cranes for the Napoleon Avenue Container Terminal provided for assessments if the cranes were not delivered 420 days from the notice to proceed (December 13, 2000) and the contractor occupied the staging area beyond a set amount of days. The cranes were not operational until April 2003. Therefore, the Board claims damages of \$3,100,000. The contractor argues that the delays were beyond its control and that the Port was not damaged to the extent it is claiming because construction of the wharf was not ready for the cranes' delivery. In April 2008, the Contractor filed suit against the Port seeking a reduction in the claims damages and additional compensation in the amount of \$854,477. In September 2008, the Port filed a counterclaim. The Contractor has not been paid \$2,765,832 on the original contract. The financial statements do not reflect either the \$3,100,000 claim receivable or the \$2,765,832 contract payable, since management believes there is a right of offset. Management believes the claim for damages is valid and that this dispute will be resolved in its favor.

As part of the Port's long-term capital construction program, commitments related to such capital construction projects were approximately \$19.7 million and \$11.5 million as of June 30, 2008 and 2007, respectively.

The Port receives financial assistance directly from Federal agencies which are subject to audit and final acceptance by these agencies. In the opinion of management, amounts that might be subject to disallowance upon final audit, if any, would not have a material effect on the Port's financial position.

7. REVENUES AND LEASES

Revenues of the Port are reported net of estimated uncollectible amounts. Total estimated uncollectible amounts related to revenues were \$67,209 for the year ended June 30, 2007. The Port leases to others substantially all of its land, property and equipment under various operating lease agreements. For the year ended June 30, 2008, two lessees accounted for 24% and 18% of operating revenues, respectively. For the year ended June 30, 2007, 26% of total operating revenues were from one lessee. Operating lease rental income was \$19,884,457 and \$18,624,793 during the years ended June 30, 2008 and 2007, respectively.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

7. REVENUES AND LEASES (continued)

As of June 30, 2008, future minimum rental payments to be received under operating leases that have initial or remaining non-cancelable lease terms in excess of one year are as follows:

2009	\$ 16,381,763
2010	14,921,682
2011	13,652,998
2012	12,383,709
2013	10,474,338
Thereafter	<u>47,588,887</u>
Total future minimum lease payments	<u>\$115,403,377</u>

8. RETIREMENT PLANS

Substantially all of the Port's employees are required by State law to participate in retirement plans administered by the Louisiana State Employees' Retirement System ("LASERS") or the Harbor Police Employees' Retirement System ("HPERS").

Disclosures relating to these plans follow:

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - All full-time employees of the Port participate in the LASERS, with the exception of harbor police, who are covered under the HPERS. The LASERS, established within Title 11 Chapter 401 of the Louisiana Revised Statutes, is a cost-sharing, multiple-employer plan administered on a statewide basis, covering all classified and unclassified employees of the state government of Louisiana, of which the Port is a political subdivision. The Port's total payroll for the years ended June 30, 2008 and 2007 was \$15,076,341 and \$13,304,838, respectively, of which \$9,897,634 and \$9,024,512, respectively, in covered payroll related to participants in the LASERS.

Members are vested after 10 years of service. A member is eligible to retire after at least 10 years of service at age 60, 25 years at age 55, 30 years at any age or after 20 years at any age with a reduced benefit. The system does provide for deferred benefits for vested members who terminate before being eligible for retirement. Once the member reaches the appropriate age for retirement, benefits become payable at a rate of 2.5% of average annual compensation for the highest 3 consecutive years of employment multiplied by the number of years of creditable service with certain limitations. Once an employee has accumulated 10 years of service, disability benefits apply based on the regular benefit formula without age restrictions.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

A. LOUISIANA STATE EMPLOYEES' RETIREMENT SYSTEM (continued)

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits LASERS members to continue working at their state jobs for up to three years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

Funding policy - The LASERS is a defined benefit contributory pension plan to which employees contributed 7.5% of their salaries if hired prior to July 1, 2006 and 8.0% if hired after July 1, 2006 for the years ended June 30, 2008 and 2007 and the Port contributed 20.4% and 19.1% of the employees' salaries toward future benefits respectively for the years ended June 30, 2008 and 2007, respectively. Provisions for employer and employee contributions are in LRS 42:651; 712; 712.1; 712.3.

Ten-year historical trend information showing the LASERS's progress in accumulating sufficient assets to pay benefits when due is presented in the LASERS's June 30, 2008 audited financial reports. The LASERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Louisiana State Employees' Retirement System, Post Office Box 44213, Baton Rouge, LA 70804-4213.

Total contributions for the years ended June 30, 2008, 2007 and 2006 were \$2,764,920, \$2,401,463 and \$2,585,714, respectively. These amounts are equal to the required contributions for each of these three years. Contributions for the year ended June 30, 2008 consisted of employee contributions of \$745,804 and employer contributions of \$2,019,117. Contributions for the year ended June 30, 2007 consisted of employee contributions of \$677,780 and employer contributions of \$1,723,683.

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM

Plan Description - All commissioned members and certain employees of the Harbor Police Department of the Port who are under the age of 50 on the date of employment are eligible to participate in the HPERS, established within Title 11 Chapter 3 of the Louisiana Revised Statutes, a single employer defined benefit pension plan administered by an eight member Board of Trustees. The Port's total payroll for the years ended June 30, 2008 and 2007 was \$15,076,341 and \$13,304,838, respectively, of which \$1,537,031 and \$1,324,730 in covered payroll, respectively, related to participants in the HPERS.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

Member benefits are equal to 3 1/3% of average final compensation, as defined, multiplied by creditable service years, not to exceed 100% of final salary. However, if a person retires before age 50, the benefit is 2 1/2% of average final compensation, as defined, multiplied by creditable service years, not to exceed 85% of final salary. Members are eligible to retire at any age with 30 years service, at age 60 with 10 years service and at age 45 with 20 years service. The HPERS also provides benefits for surviving spouses and disabled members. If a member resigns from the Police Department before retirement, accumulated employee contributions are refunded to the employee without interest. Cost-of-living adjustments are provided to members and beneficiaries at the discretion of the Board of Trustees subject to certain constraints.

The plan provides for a retirement option designated as the Deferred Retirement Option Plan (DROP). This option permits HPERS members to continue working at their jobs for up to five years while in a retired status. DROP allows these retirees to accumulate retirement benefits in a special account for later distribution.

The HPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Harbor Police Retirement System, Post Office Box 60046, New Orleans, LA 70160.

Funding Policy - Employees are required to contribute 7% of their covered payroll to the HPERS. The Port is required to make contributions to the HPERS at actuarially determined rates expressed as a percentage of members' covered payroll, not to exceed 13%. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial method until assets exceed accrued actuarial liabilities, at which point the aggregate actuarial cost method is used. The Port funded (including fines) 13.52% of the members' covered payroll for fiscal years ended June 30, 2008 and 2007.

Annual Pension Cost and Net Pension Obligation - The Port's annual pension cost and net pension obligation to HPERS are as follows:

	<u>2008</u>	<u>2007</u>
Annual required contribution	\$ 580,351	\$ 173,542
Interest on net pension obligation	25,958	27,742
Adjustment to annual required contribution	<u>(43,827)</u>	<u>(47,631)</u>
Annual pension cost	562,482	153,653
Contributions made	<u>(207,863)</u>	<u>(179,147)</u>
Increase in net pension obligation	354,619	(25,494)
Net pension obligation, beginning of year	370,823	326,095
Change in actuarial calculation	-	70,222
Net pension obligation, end of year	<u>\$ 725,442</u>	<u>\$ 370,823</u>

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

The annual required contributions for 2008 and 2007 were determined based on actuarial valuations using the aggregate actuarial cost method. Because the method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the Plan. The actuarial assumptions included (a) the determination of life expectancy based on the 1971 Group Annuity Mortality Table, (b) the determination of participant retirements based on an expected retirement age of 63 years, (c) an assumed average rate of return on investment of 7.0%, and (d) projected salary increases of 5% per year (2.5% increase for inflation and 2.5% increase for seniority and merit raises). The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period.

Three-Year Trend Information

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
2006	170,227	138.9	326,095
2007	153,653	116.6	379,823
2008	562,482	37.0	725,442

As of June 30, 2008, the most recent actuarial valuation date, the plan was 89.3% funded. The actuarial accrued liability for benefits was \$14.8 million, and the actuarial value of assets was \$13.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.5 million, and the ratio of the UAAL to the covered payroll was 109.3%.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents current year information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. Multiyear trend information will be presented in future years.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. RETIREMENT PLANS (continued)

B. HARBOR POLICE EMPLOYEES' RETIREMENT SYSTEM (continued)

The following is a summary of the statement of plan net assets available for benefits as of June 30, 2008 and 2007 and changes in net assets for the years then ended:

<u>Statement of Plan Net Assets</u>	<u>2008</u>	<u>2007</u>
Investments at fair value	\$ 12,675,826	\$ 13,425,504
Cash equivalents - LAMP	616,010	280,025
Contributions receivable	30,877	35,498
Liabilities	(25,261)	(12,873)
Net assets available for benefits	<u>\$ 13,297,452</u>	<u>\$ 13,728,154</u>
 <u>Statement of Changes in Net Assets</u>	 <u>2008</u>	 <u>2007</u>
Additions:		
Contributions	\$ 350,348	\$ 280,917
Investment income including		
Unrealized gains (losses)	233,279	1,922,946
Other	(71,218)	(35,113)
Total additions	<u>512,409</u>	<u>2,168,750</u>
Deductions:		
Benefits paid	786,931	720,864
Refunds and transfers of contributions	69,770	114,423
Administrative expenses	86,410	57,790
Total deductions	<u>943,111</u>	<u>893,077</u>
Increase in plan net assets	(430,702)	1,275,673
Net assets available for benefits:		
Beginning of year	13,728,154	12,452,481
End of year	<u>\$ 13,297,452</u>	<u>\$ 13,728,154</u>

9. OTHER POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Port provides post-employment health care benefits and life insurance benefits. These benefits are at the Board's discretion and are funded on a pay as you go basis. The benefits are currently offered to all employees who retire from the Port. Former employees and their spouses pay between 11% and 100% of the premium depending on the type of coverage.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

9. OTHER POST-EMPLOYMENT BENEFITS (continued)

Post-employment benefits consist of the following:

	<u>2008</u>	<u>2007</u>
Number of participants:		
Life insurance	92	95
Health insurance	199	193
 Life insurance expense	\$ 105,636	\$ 111,896
Health insurance expense	\$ 673,536	\$ 632,219

10. CONDUIT DEBT

From time to time, the Port has issued Industrial Revenue Bonds to provide assistance for private-sector entities for Port related projects that are deemed to be in the public interest. The Port is not obligated for repayment of the bonds. Accordingly, the bonds are not reported in the accompanying financial statements.

Industrial revenue bonds in the amount of \$35,600,000 were issued by the Port on July 1, 1981, for the account of Avondale Shipyards, Inc. (a wholly-owned subsidiary of Ogden Management Corporation) for the purpose of financing a floating drydock and support facilities to be moored within the jurisdiction of the Port as part of the public port. Industrial revenue bonds in the amount of \$36,250,000 were issued on June 1, 1983, to provide funds for the purpose of refunding the bonds issued on July 1, 1981. Industrial revenue bonds in the amount of \$36,250,000 were issued on April 1, 1994, to provide funds for the purpose of refunding the bonds issued on June 1, 1983, and will mature in 2014. The bonds are limited obligations of the Port, payable solely from and secured by a pledge of the revenues to be received pursuant to an Installment Sales Agreement and by an unconditional guarantee by Ogden Management Corporation. The aggregate amount outstanding at June 30, 2008 is not readily determinable by the Port.

Port facility revenue bonds in the amount of \$3,700,000 were issued on June 8, 2000 for the account of New Orleans Steamboat Company for the purpose of constructing a facility within the jurisdiction of the Port as part of the public port. At June 30, 2008, \$3,200,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of New Orleans Steamboat Company.

Port facility revenue bonds in the amount of \$7,500,000 were issued on November 1, 2002 for the account of New Orleans Cold Storage and Warehouse Company Limited for the purpose of constructing a cold storage facility. At June 30, 2008, \$7,500,000 is outstanding. The bonds are limited obligations of the Port, secured by a letter of credit issued by the Whitney National Bank in New Orleans for the account of NOCS.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

10. CONDUIT DEBT (continued)

In March 2005, the Port entered into a cooperative endeavor agreement with the Louisiana Department of Economic Development (DED) and CG Railway, Inc. to provide a portion of the financing for an approximately \$43,500,000 rail car cargo facility. Under the agreement, the DED provided \$15,000,000 of the project costs through the issue of special project revenue bonds. Special Project Revenue Bonds in the amount of \$16,670,000 were issued on May 24, 2005 for this purpose. At June 30, 2008, \$13,855,000 is outstanding. The bonds are limited obligations of the Port, payable solely from and secured by the State of Louisiana.

The agreement was amended April 2006 as a result of the discontinuance of the dredging of siltation in and around the Mississippi River Gulf Outlet following Hurricane Katrina, which rendered many of the obligations under the agreement impossible and required that any items not needed by the Port for maritime commerce be sold and the proceeds turned over to the State of Louisiana to help defray the costs of the project. In September 2006, the Port sold some of the items declared as surplus to the Port's needs for maritime commerce to CG Railway, Inc. for \$2,500,000. This amount was submitted to the DED.

11. NATURAL DISASTER

On August 29, 2005, the New Orleans region suffered significant damage to property and lives when Hurricane Katrina struck the Gulf Coast area. The Port of New Orleans did not suffer the devastation that other public entities realized in the area, but did sustain damage to facilities and loss of revenue. The Port facilities along the river suffered moderate damage. Facilities along the Industrial Canal suffered severe damage. The Port had insurance in place to cover most of the property damage and business interruption insurance to offset some of the revenue loss.

For the year ended June 30, 2008 and 2007, costs of cleanup, repairs, litigation and other expenses amounted to \$17,649,387 and \$5,593,185, respectively. As of June 30, 2008 and 2007, the Port received \$51,992,953 and \$36,774,578, respectively, of insurance proceeds. Included in Insurance Receivable as of June 30, 2008 and 2007 is \$77,053,836 and \$13,660,531 representing additional insurance proceeds received subsequent to June 30, 2008 and 2007, respectively. The Port has reported cumulative business interruption insurance proceeds of \$12,465,338, including \$4,713,968 and \$3,273,067 recorded during the years ended June 30, 2008 and 2007, respectively. The Port submitted a total claim in excess of \$180 million, including approximately \$18 million business interruption insurance policy. In October 2008, the Port received its final settlement from its excess carrier for this claim in the amount of \$67,852,985. No additional insurance proceeds are expected from the excess carrier; however, the Port has claims for another \$4 million to \$5 million from tenants and tenant underwriters. Additional insurance proceeds in excess of costs, if any, will be recognized in future years.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
06/30/2008	13,232,258	14,824,016	1,591,758	89.26%	1,455,889	109.3%

BOARD OF COMMISSIONERS OF
THE PORT OF NEW ORLEANS

SINGLE AUDIT REPORTS

JUNE 30, 2008



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BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Board of Commissioners of the
Port of New Orleans:

We have audited the financial statements of the Board of Commissioners of the Port of New Orleans (the Port) as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Port's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port's financial statements that is more than inconsequential will not be prevented or detected by the Port's internal control.

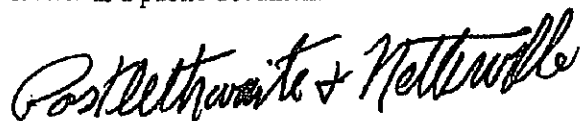
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Port's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana
December 15, 2008



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board of Commissioners of the
Port of New Orleans:

Compliance

We have audited the compliance of the Board of Commissioners of the Port of New Orleans (the Port) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The Port's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Port's management. Our responsibility is to express an opinion on the Port's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Port's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port's compliance with those requirements.

In our opinion, the Port complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-1.

Internal Control Over Compliance

The management of the Port is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Port's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in the Port's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port's ability to administer a federal program such that there is more than a remote likelihood that a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Port's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Port's internal control. We do not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The Port's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Port's response and, accordingly, we express no opinion on it.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Port as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office, and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Metairie, Louisiana
December 15, 2008



BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/Program Title	CFDA Number	Federal Expenditures (1)
United States Department of Transportation – Federal Highway Administration – Highway Planning and Construction, Passed through the State of Louisiana Department of Transportation	20.205	\$ 261,306
United States Department of Homeland Security – Office of State and Local Government Coordination and Preparedness – Port Security Grant	97.056	622,954
Special Community Disaster Loans - (note 2)	97.030	-
Federal Emergency Management Agency – Public Assistance Grants, Passed through the State of Louisiana Office of Homeland Security and Emergency Preparedness	97.036	<u>766,525</u>
Total United States Department of Homeland Security		<u>1,389,479</u>
Total Federal Assistance Expended		<u>\$ 1,650,785</u>

FOOTNOTES

(1) Basis of Presentation

This schedule includes the federal grant activity of the Port of New Orleans and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

(2) Loans Payable to Federal Agency

The Port received Special Community Disaster Loans (the "Loans") from the federal government of \$5,627,230 in April and May 2006 and \$1,921,876 in September 2006. The Loans accrue interest at rates between 2.81% and 3.00% annually to be repaid with the principal when the Loans become due beginning in 2011.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

SECTION I-SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements notes? ☐ Yes ☒ No

FEDERAL AWARDS

Internal control over major programs:

Material weaknesses identified? ☐ Yes ☒ No

Significant deficiencies identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

United States Department of Homeland Security, Office of State and Local Government --
Coordination and Preparedness -- Port Security Grant (CFDA number 97.056)

Dollar threshold used to distinguish between types A and B programs: \$300,000

Audit qualified as low-risk auditee: ☒ Yes ☐ No

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008

SECTION II-FINANCIAL STATEMENT FINDINGS

None

SECTION III-FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Federal program identification:

CFDA Title: Port Security Grant

CFDA Number: 97.056

2008-1 FINANCIAL STATUS REPORTS

Condition: The required Financial Status Reports for fiscal year 2008 were not reviewed by someone other than the preparer and the amounts reported for outlays did not agree to the accounting records. In addition, the reports for the quarters ended September 30, 2007, December 31, 2007, and June 30, 2008 were not submitted timely.

Criteria: According to the grant agreement, the Port is to provide Financial Status Reports electronically via the online payment and reporting system (PARS) on a quarterly basis. The reports are due within 30 days after the end of each calendar quarter. Reports should be accurate and complete and agree with the accounting records.

Effect: The required quarterly reports did not contain accurate information and the Port is in violation of FEMA requirements due to reports not being submitted timely.

Cause: The Port does not have procedures and controls in place to properly review the reports prior to submission and ensure timely submission.

Recommendation: All required reports should be agreed to the accounting records and should be reviewed by someone other than the preparer prior to submission. Also, the reports should be submitted within 30 days after the end of each calendar quarter.

Management Response: The Port concurs with this finding and will immediately implement controls to ensure proper review and timely submission of the required quarterly reports.

BOARD OF COMMISSIONERS OF THE PORT OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

2007-1 INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition: General ledger account reconciliations for some significant accounts or transaction classes were not performed in a timely manner.

Current Status: Resolved.